5-4-88 C4680-1

May 1988 $6.00

How Amoco Exec Views Today's Market
Why Quick Lubes Are Taking Market Share
Why Fuel Oil Gained Ground In Northeast

NPN
National Petroleum News

NATIONAL PETROLEUM NEWS
Established in 1909

VOL. 80 NO. 5

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Editor's Viewpoint

With national elections coming at the end of this year, it's at least an even money bet that you'll be hearing more talk about raising taxes on the oil industry—most likely dressed up as a "fair" and easy way to cut the bloated national budget deficit. That sounds good on the surface, but the industry can only hope that the idea won't go beyond the talking stage.

Such a policy would almost certainly have negative economic results both short and long term because it would further reduce domestic exploration production, making the nation even more dependant on foreign sources. That would not only endanger national energy security, it will substantially increase the deficit in the U.S. balance of trade. Last year, the U.S. energy import deficit totalled almost $37-billion, according to the Energy Information Agency—about one-fourth of the nation's total trade deficit. In 1986, the oil import deficit was about one-fifth of the total deficit.

Economists and others in financial circles differ on how severe a problem this balance of trade deficit is, but just about all of them agree we'd be better off if it was trimmed. They generally concur that the trade deficit weakens the dollar, which could increase inflation and possibly lead to higher interest rates. That's not a pleasant prospect and many people on Wall Street say that worries over the effect of the trade deficit was at least a contributing factor to last year's October stock market crash.

The American Petroleum Institute notes that the oil industry has a pretty good record of reinvesting its income into new exploration and production. It points out, for instance, that a survey by Arthur Andersen and Co. showed the industry reinvested about 70% of its production revenue into exploration and production. API also notes that data from the Internal Revenue Service and the Department of Energy show that the industry's reinvestment ratio has been between 60% and 80% in all but three years since 1960—and in two of those three years the rate was more than 90%.

The oil industry needs to plow much of its income into new exploration and production of domestic oil. But that's not likely to happen if more of the industry's income is taxed away. Instead of looking at ways to increase taxes on the industry, legislators should be thinking up incentives that would allow the industry to keep and reinvest more income in finding and producing more domestic oil. A good starting point would be the repeal of the so-called Windfall Profits Tax and reinstatement of the oil depletion allowance.

—Frank M. Victoria

National Petroleum News (NPN) (ISSN 0149-5267) is published monthly by Hunter Publishing Co., Inc., 950 Lee Street, Des Plaines, Illinois 60016. (312) 296-0770.

® National Petroleum News.

Second class postage paid at Des Plaines, Illinois and additional mailing offices.

Subscriptions are solicited only from executive, management and supervisory personnel at the supplier and wholesale level of oil marketing, engaged in the distribution, merchandising, transportation and storage of petroleum, TBA products, and convenience-store items. Position, company and segment of industry must be indicated on subscription orders.

Basic subscription rates for one year to individuals in the petroleum marketing industry are: U.S. $54; Canada $63 (U.S. $); Foreign surface mail $69 (U.S. $); Foreign airmail $104 (U.S. $). Non-industry personnel rates for one year are: U.S. $69; Canada $78 (U.S. $); Foreign surface mail $84 (U.S. $); Foreign airmail $128 (U.S. $). **Single copy price:** U.S. & Canada $8.00 (includes first class postage). Foreign $10.00 (includes airmail postage). **Mid-June Factbook:** U.S. $50; Canada $60; Foreign $70. The publisher reserves the right to accept or reject any subscription. (R) Title registered in U.S. patent office. **Change of address:** Notices should be sent promptly; provide old mailing label as well as new address; include ZIP or postal code. Allow 6-8 weeks for change. Send address changes, correspondence regarding subscription, service or subscription orders to: Circulation Department, NATIONAL PETROLEUM NEWS, 950 Lee Street, Des Plaines, Illinois 60016. Or call (312)296-0770, 9 a.m. to 4 p.m.

Postmasters: Send address changes to NATIONAL PETROLEUM NEWS, 950 Lee Street, Des Plaines, Illinois 60016.

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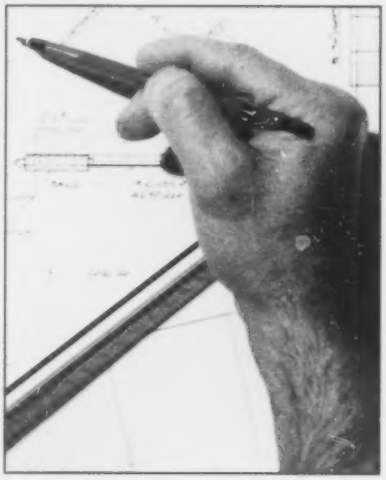


The face of retail gasoline marketing is changing dramatically as oil companies, lured by typical sales increases of 25% to 30%, invest heavily in station design.
Page 34

In an exclusive interview, Robert J. Rauscher, Amoco's marketing vice president speaks out on issues affecting marketers, plus new concepts the company is introducing in the marketplace. **Page 46**

Quick lubes are quickly becoming a major force in the retail lubrication market, with a current population of 2,000 outlets. And the growth curve is getting steeper, with 6,000 outlets forecast by 1990. **Page 52**

Shell Repeats As Biggest Gasoline Retailer In '87

With another surge in street sales in 1987, Shell Oil Co. held its place as the No. 1 gasoline marketer and set new records in the process. Shell's gasoline volume exceeded 10-billion gal. last year, only the second oil firm in history to reach that point. Chevron broke the 10-billion gal. mark in 1984, just after it bought Gulf Oil Corp., but slipped the next year as it consolidated and spun off some marketing assets.

However, Shell's 1987 volume was higher than Chevron's: 10.6-billion gal. vs. 10.3-billion gal. for the latter. That's an all-time high for gasoline sales by any oil company. Shell's relative share-of-market was around 9.4% in 1987. Chevron's level in 1984 was 9.7%, so it still outranks Shell as the percentage leader.

To achieve 10.6-billion gal., Shell had a 12% gain in its gasoline sales last year – and that followed a 20% increase in 1986, which propelled the company into the national leadership for the first time.

Shell is the American subsidiary of the Royal Dutch Shell Group of Companies which has dual headquarters in The Hague and London. BP-America, which ranked seventh in gasoline sales in 1987, is also owned by overseas oil interests. Formerly The Standard Oil Co., it was acquired 100% by BP-London just last summer.

Chevron retained second place in the gasoline derby for the second consecutive year. Next came Texaco, Exxon, Amoco and Mobil (see tables), as they'd ranked in 1986. Although Chevron had only a relatively insignificant increase in its 1987 gallonage, it did better than Texaco, Exxon and Amoco, which slipped slightly. Getty, up 500-million gal. in 1987, had a spectacular 42% increase over 1986.

Several items are significant in 1987 boxscore.

Citgo reappears as a privately owned, independent oil company after several years of confusing operating statistics and ownership, first by Occidental Petroleum Co., then by Southland Corp. In mid-1986, Petroleos de Venezuela purchased a 50% interest in Citgo, putting the company on a stand alone basis and no longer a controlled satellite of the 7-Eleven chain. It supplies more than 7,000 outlets, including Southland's 3,000.

Sun's position changed in '86 and '87 by a restatement of volumes reflecting trading and purchasing of outside supplies for its outlets and some third-party sales.

Oil Company Market Share Box Score—1986 and 1987

1986 GROSS GAL. & RELATIVE MARKET SHARES (REVISED) (a)
(1986 Gross Sales = 111,933,927,000 gal.)

	Rank	% Share of Market	Gross Gallonage	% Chng vs. 1985
Shell	1	8.491%	9,504,600	20.4%
Chevron	2	8.183	9,160,020	(3.3)
Texaco	3	7.806	8,738,100	1.8
Exxon	4	7.326	8,416,170	1.9
Amoco	5	7.163	8,017,590	2.6
Mobil	6	6.546	7,327,740	9.9
Stand. Oil	7	4.892	5,350,170	0.0
Citgo*	8	4.520	5,058,900	NC
Arco	9	4.492	5,028,210	8.3
Sun**	10	3.944	4,415,040	NC
Marathon	11	3.931	4,399,710	5.5
Unocal	12	3.561	3,985,800	7.0
Phillips	13	3.328	3,755,190	(1.2)
Conoco	14	2.671	2,989,350	3.7
Cumberland	15	2.055	2,300,000	0.0
Getty	16	1.068	1,195,740	8.3
Circle K	17	0.808	904,300	28.3
Total	—	80.9%	90,546,630	NC

(a) Market shares were revised to reflect Federal Highway Administration's corrected consumption total for 1986; (b) gallonage reported in company annual reports and 10-Ks; in addition, several other changes occurred, as follows: * Citgo, formerly a wholly owned subsidiary of Southland became privately owned in 1986; ** Sun restated its gross gallonage sales in 1986 to reflect marketplace purchases to supply its own and third-party contract needs; NC—Not comparable with 1985 gallonages.

GROSS GAS GAL. & RELATIVE MARKET SHARES—1987 (a)
(1987 Gross Sales = 113,612,946 gal.) (a)

	Rank	% Share of Market	Gross Gals. (b)	% Chng vs. 1986
Shell	1	9.351%	10,623,690	11.8%
Chevron	2	8.109	9,213,330	0.6
Texaco	3	7.597	8,630,790	(1.2)
Exxon	4	7.286	8,278,200	(1.6)
Amoco	5	7.030	7,986,930	(0.4)
Mobil	6	6.949	7,894,950	7.7
Arco**	7	4.561	5,181,540	3.0
Citgo***	8	4.331	4,920,930	(2.7)
Sun***	9	4.063	4,615,863	4.5
Marathon	10	4.061	4,614,330	4.9
Unocal	11	3.753	4,264,410	6.5
Phillips	12	3.454	3,924,480	5.3
Conoco	13	2.888	3,280,620	9.7
Cumberland	14	2.024	2,300,000	0.0
Getty	15	1.496	1,700,000	42.2
Circle K	16	1.012	1,149,750	27.1
Total		79.7%	90,579,813	

(a) Preliminary data; gross gallonage for 1987 projected by NPN based on FHA and API yearend data; (b) gallonage reported in company annual reports and 10-K's; ** Arco's gallonage includes Lyndell Petroleum; *** Citgo's status was changed in 1986 (see explanation in 1986 footnotes); Citgo's gallonage includes 1.8-billion gal. retailed by Southland/7-Eleven stores which, as a separate entity, would nominally rank below Cumberland and ahead of Getty in the boxscore above; **** Sun restated its earnings in 1987 and 1986 (see explanation in 1986 footnotes).

• TRENDS

Foreign Investments Becoming Significant

If current patterns continue into the mid-1990s, foreign investors could eventually end up owning enough parts and pieces of the U.S. oil industry to give them a growing influence on domestic supplies, prices and marketing facilities.

The amount of foreign investment so far is only a drop in the bucket in relation to the total value of the domestic petroleum industry, maybe only 6% to 7%. Nevertheless, it is there and growing by the billions of dollars. That little drop could easily become a bucketfull by 1995 or thereabouts.

Consider, for example, some current statistics:

- Foreign investors now own or market through one out of every five service stations in the U.S.
- They sell about one out of every seven gallons of gasoline bought by American motorists.
- They control about one-fifth of U.S. refinery capacity and one out of every seven refineries.
- They had a hand in not quite two out of every 10 b/d of domestic crude oil and natural gas liquids produced in the U.S. in 1986.

According to a federal study, "Profiles of Foreign Direct Investment in U.S. Energy 1986," this "FDI" in the domestic oil industry more than doubled between 1980 and 1986 (and, as an extrapolation suggests, may well have tripled by the end of 1987). FDIs in petroleum were 29.6% of the total FDIs in America in 1986 and, remembering BP-London alone poured more than $7-billion into its acquisition of Standard Oil last year, there's no doubt that FDIs topped $36-billion in 1987. As a point of comparison, American investments in foreign oil facilities also grew in 1986. Although they were more than twice the size ($61-billion) of foreign investments in the U.S., however, the growth rate has been noticeably slower in recent years.

Following are statistics worth thinking about:

Foreign Direct Investments in the U.S.
(billions of dollars)

Year	FDI in U.S. Petroleum	Total FDI in U.S.	% Petroleum of Total
1987*	$37.0	$230.0	16.1%
1986	29.6	209.3	14.1
1985	28.3	184.6	15.3
1984	25.4	164.6	15.4
1983	18.2	137.1	13.3
1982	17.7	124.7	14.2
1981	15.2	108.7	14.2
1980	12.2	83.0	14.7

(*) Projected by NPN.

FDIs in Marketing, Refining and Production

	1986	1985	1984
Branded retail outlets			
FDI companies	26,223	27,421	25,860
U.S. total	120,150	124,600	132,080
% FDI of U.S. total	21.8%	22.0%	19.6%
Gasoline supplied (in thousands of b/d)			
Total FDIs	1,263	1,285	1,066
U.S. total	7,034	6,831	6,693
% FDI of U.S. total	18.2%	18.8%	15.9%
Refineries			
Total FDIs	30	28	28
U.S. total	219	216	223
% FDI of U.S. total	13.7%	13.0%	12.6%
Crude distillation capacity (in thousands of b/d)			
Total FDIs	2,979	2,621	2,293
U.S. total	15,566	15,459	15,659
% FDI of U.S. total	19.1%	16.8%	14.6%
Crude oil and NGL production (in thousands of b/d)			
Total FDIs	1,527	1,452	1,365
U.S. total	10,289	10,636	10,554
% FDI of U.S. total	14.6%	13.7%	12.9%

—by J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

FEBRUARY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$0.928	$0.859	$0.913	$1.082
Regions:				
Northeast	.983	.896	.948	1.120
North Central	.915	.865	.911	1.058
South	.927	.847	.908	1.074
West	.901	.852	.894	1.064

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	4/1/88	4/3/87
Gasoline (Total)	229,861	246,204
Gasoline (unleaded)*	144,432	138,770
Jet Kerosine	38,873	41,779
Distillates	91,558	107,489
Residual	42,110	38,009

**Included in gasoline total.*
Source: American Petroleum Institute.

Fuel Oil Gets Another Big Market Share Boost In Northeast

For the second year in a row, fuel oil has made another strong showing in the new home construction market in the Northeast, which is its heartland.

Preliminary data from the Department of Commerce says oil-heat got 27% of the new home market in that area in 1987, up 3% from 1986 which, in itself, was up 8% over 1985.

Oil heat also made a better-than-average showing in the Midwest where, although it got only 1% of the new homes, this was more satisfying than the "too small to be significant" reports of the past.

The Commerce Department, in its preliminary findings, said 192,000 new homes were constructed in the Northeast in 1987. This would put oil heat's share of new homes at 51,840.

Natural gas also showed improvement in the new home construction figures while electric heat, which used to be the terror of the fuel oil dealers, continued the declines of recent years.

On a national basis, oil heat held its own at 5% of the total market of 1,120,000 new homes, which was about the same as in 1986.

Here's the boxscore of new homes in 1987, as reported by the Commerce Department in mid-March:

Oil Heat Gets More New Homes Again

Region	New Homes Completed (Add 000)	Share of New Homes by Fuels — Percentages			
		Gas	Electric	Oil	Other
Northeast	195	44%	27%	27%	2%
Midwest (a)	200	83	13	1	3
South	466	33	65	(•)	2
West	258	68	25	(•)	7
Total 1987	1,120	52%	40%	5%	3%
Total 1986	1,120	47%	44%	5%	4%

(a) Formerly called North Central; (•) Statistical data did not meet publication standards.
Source: U.S. Department of Commerce. 1987 Construction Reports, preliminary, published in March 1988.

Gasoline Prices Lowest In Decade Despite Inflation, Taxes

With inflation and higher excise taxes last year, the retail price of a gal. of gasoline averaged 42.2¢, the lowest level in a decade.

Between 1978 and 1987, the retail price of a gal. of gasoline declined about 20%, which in 1987 was 11¢ less than it was 10 years earlier, according to an American Petroleum Institute (API) report.

The average pump price in 1978 was 65.2¢, including 11.8¢ for federal, state and local excise taxes. The average pump price had risen 30.5¢ per gal. in 1987, including an additional 10.1¢ in excise taxes while the consumer price index climbed only about 74% during the 10 year span.

In addition to the lower adjusted price per gal. the nation's motorists benefited by an increase in average miles per gal., which also lowers costs per mile traveled. During this period the average miles driven per gal. of gasoline increased from 14.0 to 18.3, while at the same time, the inflation adjusted fuel costs of driving one mile fell from 3.8¢ to 2.3¢.

API also notes that personal expenditure for gasoline and oil declined during this decade from $51.3-billion to $45.7-billion. Personal consumption outlays on the other hand for operating, maintaining and repairing motor vehicles declined to 45.4% over the 10-year period. API notes that gasoline and oil's share of total personal consumption expenditure fell from 3.7% in 1978 to 2.7% in 1986.

In a companion report, API says petroleum products rose, as domestic crude oil production continued to decline while imports increased.

API's January statistical report says crude supplies averaged 17,520,000 b/d, 6.9% higher since January 1987 when 16,383,000 b/d were supplied. Crude oil production fell by 1-million b/d over the past two years. In January U.S. crude production averaged 8,134,000 b/d. That crude oil production level was down 3.7% from the 8,447,000 b/d produced in January 1987.

Petroleum product deliveries continued to increase in January, with kerosine jet fuel the highest, up 21.2%. Other major products climbed too, in fact, residual fuel oil was up 4.8%, the first increase 12 months.

Total imports (crude oil plus refined products) increased 14.4% at the end of January to an estimated 6,971,000 from 6,094,000 b/d. Much of the increase says API was in product imports, which increased 31.8% from January 1987. Crude oil imports were up 7.1%.

Other highlights in the report included:

- Unleaded gained 80% of the market share in January.
- Refinery used an averaged 83.5%. This was 2.5 percentage points higher than in January 1987.
- Total inventories (crude oil and petroleum products) declined 2.2% from the previous month, but were at about the same level a year ago.
- Gasoline, kerosine jet fuel and distillate fuel oil were lower at the end of January then they were in 1987.

Why Quick Lube Outlets Are Grabbing Market Share

Quick-lube outlets are rapidly taking over the market that service stations have been vacating for nearly two decades. The number of quick lubes has grown to more than 2,000 in just a few years, and the growth is accelerating to what analysts estimate will be 6,000 by 1990. Beyond that, who knows?

If 6,000 seems like a lot of quick lubes to expect in only two more years, consider that the number of automotive service stations has plummeted by 90,000 in about 16 years. The closing of service stations in vast numbers created a vacuum into which specialized lubrication centers were bound to come.

When the service-station population (Census Bureau definition*) was at its peak of 225,000 in 1972, there were 190,000 service stations that did lube jobs. Today, with a service-station population of 117,220, only about 100,000 do lubes, a net loss of 90,000 stations.

By Mark Emond
Contributing Correspondent

Quick lubes began sprouting even before the need was especially pressing, but as more and more service stations succumbed to changing oil-company strategies in the late 70s, quick lubes began to get a foothold and now have flooded into the vacuum by the thousands.

It's highly doubtful the population of quick lubes will ever reach 90,000, replacing defunct service stations one for one. The reason is that each quick lube does a lot more oil changes, on average, than service stations do, and so fewer are needed to satisfy demand.

But there seems to be plenty of room left in which to expand. (For a report on how the quick-lube market was shaping up two years ago, see *NPN*—Dec. '86, p42.)

How big is the market?

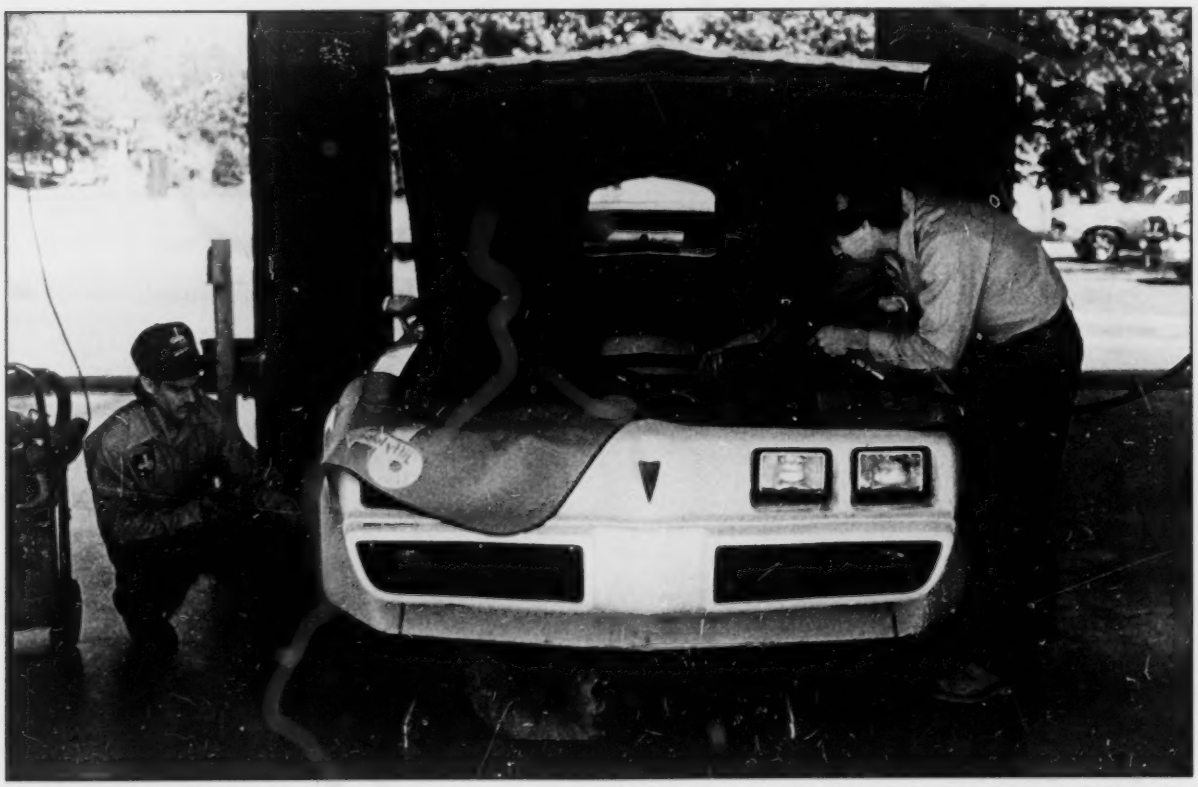
The motor oil market for the 153-million passenger cars and light trucks registered in the United States is an estimated 700-million gal. annually, reports Larry Solomon, manager of market research for Valvoline.

Of these 153-million cars and light trucks, 78%, or about 119-million, are privately owned (not commercial or public) and therefore are potential lube service customers of retail outlets. They have their oil changed 360-million times a year, using an average of 1.2 gal. per change, and also use about 1 gal. a year in makeup oil. They consume about 550-million gal. of motor oil a year.

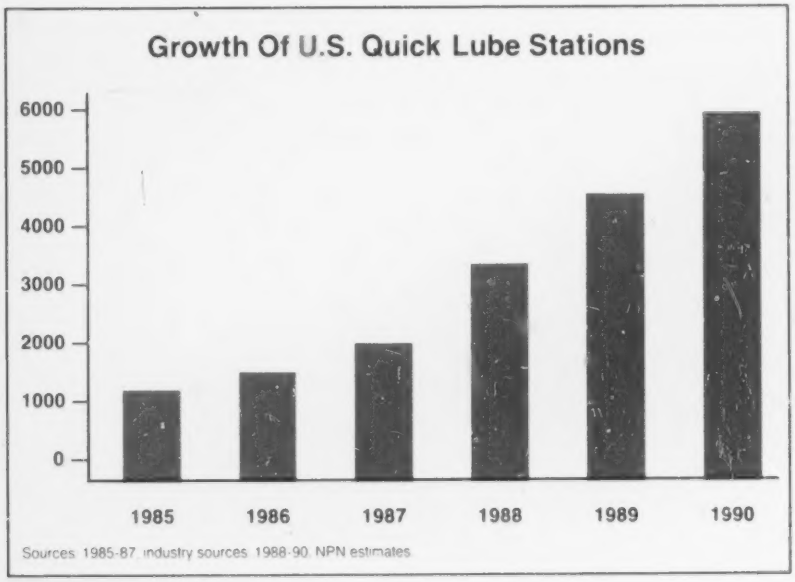
However, 70% of motor oil is installed by motorists themselves, leaving 30% to be installed by retail lube service centers, or 165-million gal.

These estimates are based on an average oil-change frequency of 2.94 times a year. However, this frequency—and therefore the volume of motor oil installed—may be rising because the do-it-yourself trade is slipping and also because quick-lube stations promote more-frequent lube jobs,

*The Census Bureau counts only stations with more than 50% of their dollar revenues in petroleum products and services. If other types of gasoline outlets are included, such as C-stores and mass merchandisers, there are probably half again as many total gasoline outlets.



Current king of the quick lube business is Jiffy Lube with almost 800 outlets in the U.S. Company is shooting for 1,200 units by 1990. One strategy: a joint effort with Pennzoil to get independents to brand up to Jiffy.



usually every 3,000 miles. They appear to be succeeding in convincing some people, by reason or convenience, to obtain lube service more often than that.

Quick lubes have an estimated 20% of the market, or 33-million gal. a year, and their market share is rising fast. Service stations have an estimated 30%, or 50-million gal., and their market share is falling. Industry statistics show that ordinarily what quick lubes gain in sales, service stations lose.

The quick lubes mainly market independent motor oil brands. Texaco's Havoline motor oil is the only major-company product with a significant foothold in that specialized market.

The quick-lube motor oil market shares, Solomon reports, are as follows: Pennzoil 49.8%; Quaker State 24.1%; Valvoline 8.4%; Castrol 4.3%; Havoline 2.8%; and Kendall 2.2%. The rest are all under 1%.

Pennzoil's overwhelming dominance is based almost solely on the fact that its motor oils are featured by the biggest quick-lube chain in the business, Jiffy Lube. Quaker State and Valvoline, on the other hand, have obtained their quick-lube positions by investing heavily in the business.

Oil companies: whoa, whoa!

As the traditional motor oil business has slipped away from the conventional service-station networks, major oil companies have been surprisingly long-suffering and largely unresponsive.

Some efforts have been made to encourage retailers to speed up lube service somehow or dedicate a bay to quick lube, but the results have been mixed, and it does not appear to be an offsetting trend.

There are signs recently, however, that the majors may be beginning to think differently. Some are beginning to experiment with quick lubes, and it seems only a matter of time before at least some of them jump in with both feet. Time is of the essence, however, and it's not clear whether oil companies can get a base swiftly enough to check or reverse the rapid expansion of the quick-lube companies.

They used to have two-thirds of the installed motor oil business. Now, they have perhaps a third, and a lot of that is not their own brand of motor oil. In an amazingly short time, quick lubes have captured one-fifth to one-fourth of the installed market, and at the rate they're expanding, they could have half or more in a few years.

Because the lube business of car dealers, repair garages, mass merchandisers and others has remained fairly constant over the years, practically all of the new business quick lubes are getting comes out of the hides of the oil companies.

Except for Texaco, major oil companies are also-rans in U.S. total motor oil market share. In 1987, Pennzoil was first with 20.8%. Others were as follows: Quaker State 16.7%; Valvoline 12.9%; Havoline 11.8%; Castrol 8.7%; Mobil 4.4%; Exxon 2.6%; Kendall 2.6%; Shell 2.2%; Citgo 1.1%; Chevron 1.0%; Amoco 0.9%; and Gulf 0.9%. These data come from NPD Auto Facts, Houston, which keeps continual tabs on how consumers buy their motor oil, among other things.

The dominant marketing strategy of the principal quick-lube companies is to get in fast and gain a substantial market share as a base for advertising and promotion. Many believe that down the road only a few big chains will survive, with the bigs buying out the smalls.

Nobody knows exactly at what developmental age the quick-lube trend stands—infancy, childhood, adolescence, maturity, middle age—but the clock is running. It is probably still in its major growth period, which means successful entry by one or more serious contenders may still be in the cards.

Second largest quick lube chain is 281-unit Minit-Lube, growing fast with infusion of capital from Quaker State, which bought the company in 1985.

One chain builds outlets faster than McDonald's

Entry and expansion opportunities depend on the stage of quick-lube development in each individual market. Salt Lake City, for example, where both Jiffy Lube and Minit-Lube got started, has so many quick lubes it's considered a mature market. Some West Coast markets, including Los Angeles, are considered in their infancy, in part because of high real estate costs.

Quick-lube hierarchy

By far the largest chain is Jiffy Lube, a publicly owned company based in Baltimore. It has 780 service centers in the United States, 12 in Canada, 3 in France, and 1 each in England and Australia. Jiffy is shooting for 1,200 by 1990.

Jiffy's average ticket for lube jobs only is $21, its average total ticket is $28, reports Megan Rock, marketing services manager. This may not be exactly what other quick lubes obtain, but since Jiffy has 40% of total outlets, it's a fair approximation on which to estimate total industry revenues.

On this basis, quick lubes have estimated revenues of nearly $2-billion annually on all sales and services. On lube jobs only, revenues are $1.5-billion. If there are 6,000 quick lubes in 1992, the revenue will approximately triple what is today, to a total of $6-billion over all.

For the fiscal year that ended in March 1987, Jiffy's revenues were $152-million, with 561 outlets at the time, an annual average revenue of $271,000 per outlet, or $22,600 per month. Of course, many of the outlets were just getting started.

Jiffy services 40,000 cars a day, with an average of 44 per unit, says Rock.

Although Pennzoil has not been officially affiliated with Jiffy, it supplies about 70% of the company's motor oil, in bulk. Jiffy also sells significant amounts of packaged Valvoline, Quaker State, and Castrol, reports Rock. A 20-year agreement between Pennzoil and Jiffy Lube has just been announced, but details are lacking. According to a Pennzoil spokesman, the company will join forces with Jiffy to try to get hundreds of independent quick-lube chains to brand up with Jiffy, with some financial or other assistance by Pennzoil on a station-by-station basis.

Minit-Lube, Salt Lake City, is the second largest chain, with a current count of 281, reports Bonnie Nangle, advertising director. Of the total, 191 are company stores and 90 are franchises.

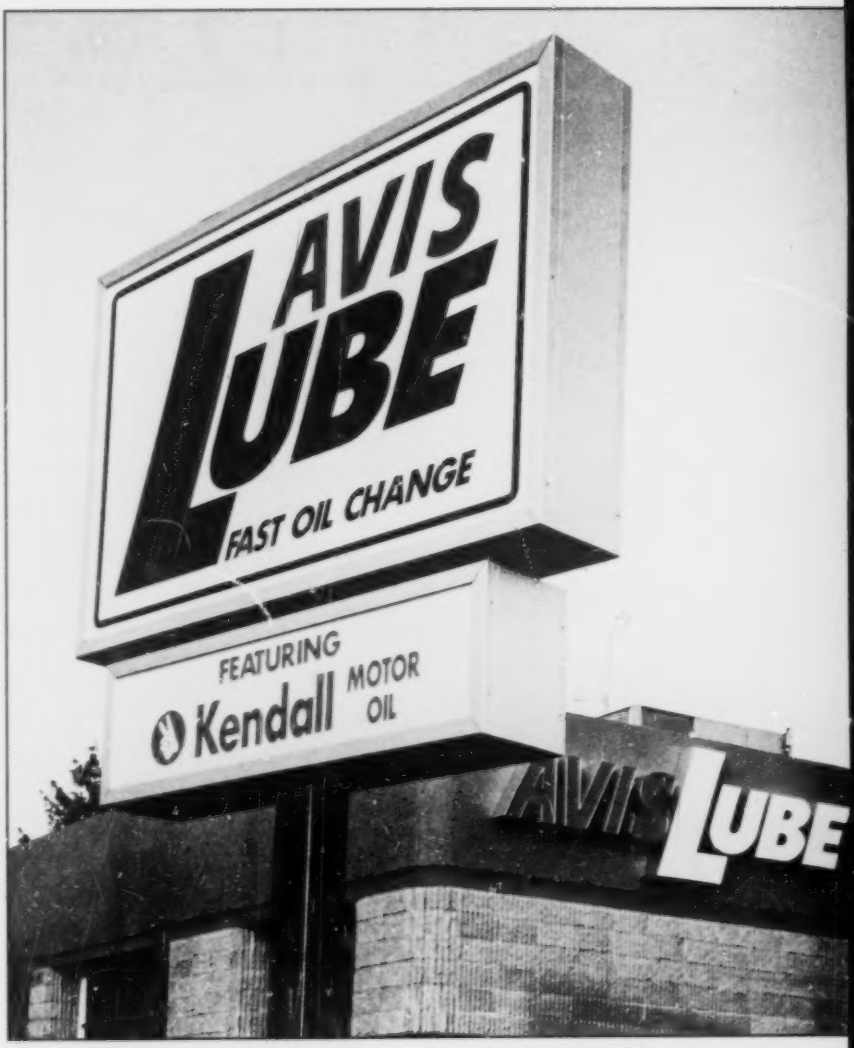
Since Quaker State, Oil City, Pa., acquired the company in November 1985 and committed $75-million to expansion, Minit-Lube is one of the fastest growing chains. This acquisition has helped Quaker State rise off and on into first place in U.S. motor oil market share, a position it has been swapping with Pennzoil in recent years. Minit-Lube added 127 units in 1987 and plans 65 more in 1988.

Nangle reports the average number of lube jobs for the chain is 42 a day, the typical basic charge is $19.95, and the average ticket is $23.31. The latter is recognized to be low, but it's consistent with Minit-Lube's determination to avoid overselling, Nangle says.

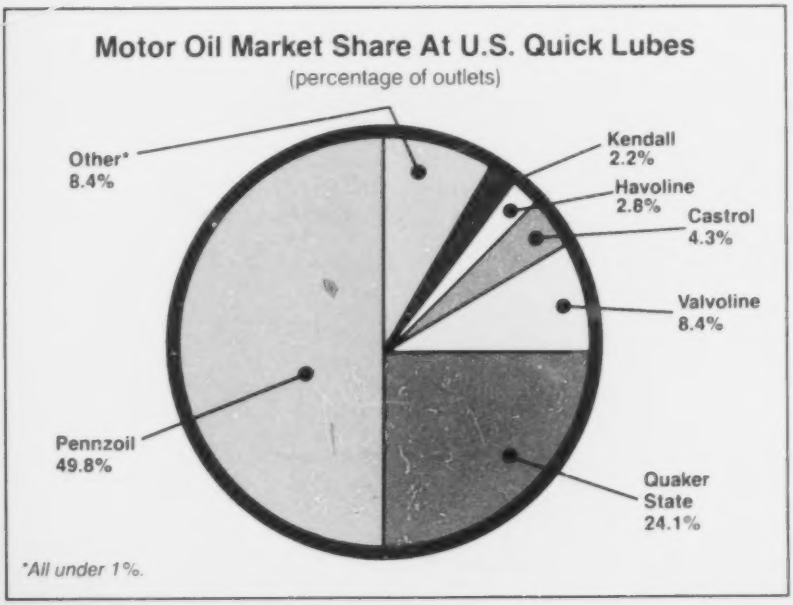
Valvoline reports 110 outlets, making it third. It markets under a variety of brands because it acquired going companies beginning late in 1986. In new markets, expansion will probably be made under Instant Oil Change, the name of one of the companies it purchased in Michigan.

Unlike Jiffy, which markets mainly through franchises, Valvoline's quick lubes are all company-owned. With a program to build 150 quick lubes in a year, Valvoline is probably the fastest growing company-owned quick-lube business in the country.

Entering new markets has given Valvoline further confidence in the viability of quick lubes. Says John F. Boehm, chairman and CEO of Valvoline, "Consumers



An important new player is Avis Lube, a joint venture between Kendall Refining and car rental giant Avis. Company has 56 units under development and plans for 350 more.



have accepted it well in new markets, which points a lot to its basic strength. We've gone into markets where it has not been an established business and have been very gratified at the acceptance we've gotten."

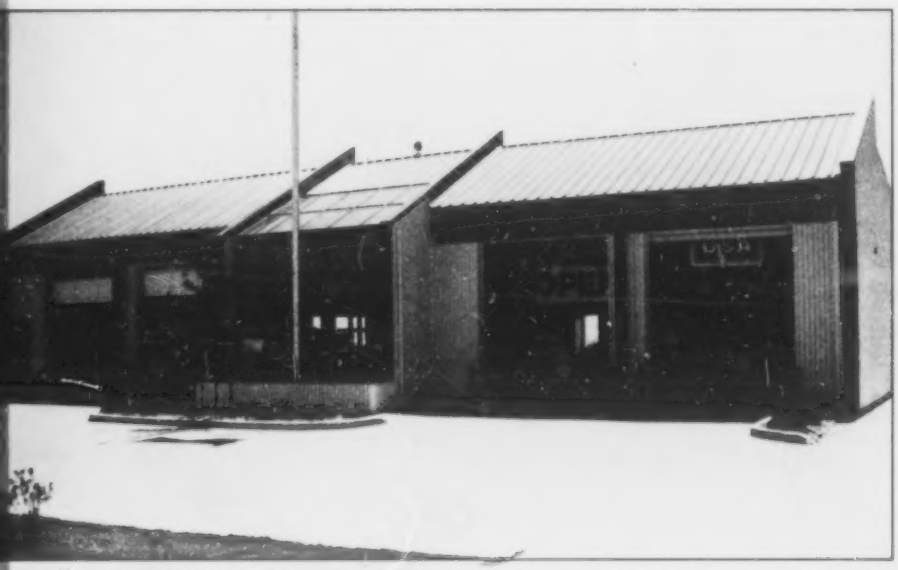
Boehm continues, "Our program was to build 150 outlets. That's three a week. That's more per week than McDonald's ever opened in their history."

Valvoline plans to have a total of about 500 by 1991, probably all owned and operated, although the company might begin franchising before then. Says Boehm, "We recognize that at some point there's going to be a demand for our system and products and we're not going to be able to expand fast enough, so franchising is certainly part of our future."

Fourth is probably Grease Monkey, based in Denver. According to a survey done early in 1988 by Automotive Parts and Accessories Assn. (APAA), Grease Monkey has 102 quick lubes, with 298

Another fast growing quick lube chain is Denver-based Grease Monkey with a reported 102 outlets and another 298 units in various stages of development. Denver is one of the oldest and strongest quick lube markets.

Can majors make up for lost time in quick lube boom?



USA Fast Lube, also based in Denver, has backing from Mobil for expansion. Chain sells Mobil oil and accepts that company's credit card.

reportedly "in process."

McQuicks Oilube, Muncie, Ind., has 46, with 66 more planned in the next three months, APAA reports.

A newcomer to be reckoned with is a joint venture between Kendall Refining, a division of Witco Corp., and Avis. The first Avis Lube of a planned nationwide chain opened in Elmont, N.Y., in February.

The two companies formed a real estate partnership, 60% owned by Witco, to acquire and lease properties for Avis Lube installations. Only a few Avis Lubes will be company owned; the remainder will be owned by franchisees.

Vince Russo, vice president and general manager of Avis Lube, says the company has "substantial commitments for over 350 franchised locations in 20 states." Reported under development are 36 units, and he expects to have more than 100 opened by the end of 1988.

Following these are a number of smaller quick-lube companies, and also a significant number of tuneup chains, some quite large, that also do quick lubes.

In listing the tuneup chains, APAA does not report how many stores do quick lubes, though possibly all do in some cases. However, they might not have the underground pits, the absence of which limits the speed, thoroughness, and appeal of the new generation of quick lubes.

Precision Tune, Beaumont, Texas, has 360 stores and plans to triple that number by 1991, APAA reports. Econo Lube n' Tune, Newport Beach, Calif., has 150, with plans for 50 more in 1988. Sparks Tune-Up, King of Prussia, Pa., has 145, with plans for 80 more in a year. Tune-O-Mize, Nashville, Tenn., is listed with 130 stores.

What majors are doing

Major-company quick-lube experiments and projects run the gamut, but so far none is offered as a separate franchise. Some are mutual deals with existing chains, some are company-owned new units, and some are built by marketers with company incentives.

At this juncture, no major oil company is known to be committed to a major quick-lube building program.

No attempt has been made to identify all the oil companies that may be encouraging dealers to dedicate bays to some kind of quick-lube service, but here's a rundown of key developments. Some information is unconfirmed because of the reluctance of some companies to provide details on market tests.

Amoco is testing quick lubes in the Minneapolis area under the name Amolube Express Oil Change. The first one, located at a mall, is a four-bay unit in a building with a gasoline pumper, food shop, car wash, and customer waiting room. Customers get a free car wash with a lube job. Of a total of six Amoco plans to have up and running by next fall, some will be standalones without pumps, but located next to pumper/C-stores.

Chevron is planning to add quick lubes at some new stations as additional profit centers. Division managers can recommend a limited number of quick lubes for particular locations if market studies show they would be profitable there.

Citgo is planning a quick-lube building incentive program for its jobbers, and is also talking over joint ventures with certain existing small quick-lube chains.

Exxon has signed a partnership with a big Canadian chain, Mr. Lube International. The major will test some three-bay Mr. Lube U.S. centers in a number of U.S. cities, without gasoline. The company is considering building some next to existing Exxon stations.

Marathon provides an optional quick-lube conversion kit for one bay of existing stations if recommended by the sales representative. Startup fee is $700, and there's an additional annual fee of $100. The package includes signage and promotional materials. Some 30 were reported approved initially.

Mobil is providing expansion financing to USA Fast Lube, Denver. The Fast Lubes will sell Mobil oil, of course, and also accept the Mobil credit card. Mobil is also reported planning to launch its own quick lubes this year.

Phillips, which markets entirely through jobbers, has worked out an incentive and rebate program to encourage jobbers to open quick lubes. Phillips reportedly is hoping to see a couple dozen on the street by year end.

Texaco tested a few quick lubes in Houston and Atlanta, and is trying to encourage jobbers to build some Express Lube outlets. To that end, it gives a 40¢ a gal. rebate on all bulk lube purchases for five years.

Unocal has put together a package to help its jobbers east of the Rockies build ExpressLubes. Reportedly these can be new or rebuilt, and the jobber can decide whether or not to handle gasoline. A co-op advertising and promotion package is also available. Under another company program, 100 Unocal interstate truckstop operators are offering truck "quick" lubes, which take about an hour. More of the total 148 I-state truckstops are expected to add quick lubes, but at the operator's option. Suggested price is $99.95 for most trucks. Aim is to offer uniform, one price service across the truckstop system. NPN